

# Audit Report

The Alliance for a Safer, Greater Detroit

October 1, 2002 – September 30, 2005



Office of Audit  
Quality Assurance and Review Section  
September 2006



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF COMMUNITY HEALTH  
OFFICE OF AUDIT  
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JANET OLSZEWSKI  
DIRECTOR

September 14, 2006

Mr. Daniel F. Ponder, Chairman of the Board  
The Alliance for a Safer, Greater Detroit  
10900 Harper Avenue, P.O. Box 13679  
Detroit, Michigan 48213  
and  
Mr. John Broad, President and CEO  
The Alliance for a Safer, Greater Detroit  
10900 Harper Avenue, P.O. Box 13679  
Detroit, Michigan 48213

**CERTIFIED MAIL**

Dear Mr. Ponder and Mr. Broad:

Enclosed is the final report from the Michigan Department of Community Health (MDCH) audit of The Alliance for a Safer, Greater Detroit for the period October 1, 2002 through September 30, 2005.

The final report contains the following: description of agency; funding methodology; purpose and objectives; scope and methodology; conclusions; findings with recommendations, the agency's response, and further comments from MDCH; and Statements of MDCH Grant Program Revenues and Expenditures.

The agency's response of July 7, 2006 to our Preliminary Analysis was thoroughly evaluated and given serious consideration. The information provided, however, did not allow for any adjustments to the Preliminary Analysis. Explanations for this determination are provided within each finding after the agency's response.

Mr. Ponder and Mr. Broad  
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We have determined that The Alliance for a Safer, Greater Detroit **owes MDCH \$155,015** either directly or via the pass through agencies (Grand Rapids Police Department and the Wayne County Prosecuting Attorney Office) as summarized on page 14 of the enclosed report. The funds must be remitted by October 31, 2006, to avoid collection action. **Please remit a check for \$155,015 payable to the State of Michigan by October 31, 2006 to the following address:**

Lisa Smyth, Manager  
Revenue Operations Section  
Accounting Division  
Michigan Department of Community Health  
P.O Box 30437  
Lansing, MI 48909

Thank you for the cooperation extended throughout this audit process.

Sincerely,



James B. Hennessey, Director  
Office of Audit, MDCH

Cc: Patrick Barrie, Deputy Director, Mental Health and Substance Abuse Administration, MDCH  
Donald Allen, Director, Office of Drug Control Policy, MDCH  
Doris Gellert, Director, Bureau of Substance Abuse and Addiction Services, MDCH  
Lisa Smyth, Manager, Revenue Operations Section, Accounting Division, MDCH  
Deb Hallenbeck, Manager, Office of Audit, MDCH  
Dave Figg, Audit Manager, Office of Audit, MDCH  
Harry Dolan, Chief of Police, Grand Rapids Police Department  
Kym L. Worthy, Prosecuting Attorney, Wayne County Prosecuting Attorney Office  
Susan D. Kopinski, Chief, Finance and Administration, Wayne County Prosecuting Attorney Office

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## **DESCRIPTION OF AGENCY**

The Alliance for a Safer, Greater Detroit (Alliance) is organized as a not-for-profit agency under the provisions of 501(c)(3) of the Internal Revenue Code. The Alliance is located in Detroit, Michigan, and operates under the legal supervision and control of its Board of Directors.

The mission of the Alliance is 'To reduce crime and the fear of crime and improve the image of Detroit and the surrounding region as a safe place for residents, visitors and business.' Program services include Crime Stoppers, and Safe and Drug Free Schools and Communities.

## **FUNDING METHODOLOGY**

The Alliance funds its services through grant programs, a private foundation, fundraising campaigns, and individual donations. The Alliance received the following grant awards funded by the Michigan Department of Community Health (MDCH) Office of Drug Control Policy (ODCP) effective for October 1, 2002 through September 30, 2005:

Passed Through the Grand Rapids Police Department (GRPD):

Byrne Formula Grant Program – 10/1/02–9/30/03 100% Federal, CFDA # 16.579.....\$50,000

Passed Through the Wayne County Prosecuting Attorney Office (WCPO):

Byrne Formula Grant Program – 10/1/03–9/30/04 100% Federal, CFDA # 16.579.....\$33,038

MDCH Direct Funding:

Governor's Discretionary Grant – 10/1/03-9/30/04 100% Federal, CFDA # 84.186A.....\$70,000

Governor's Discretionary Grant – 10/1/04-9/30/05 100% Federal, CFDA # 84.186A.....\$70,000

MDCH grant funding was reimbursed monthly, based on Financial Status Reports (FSR) submitted directly to MDCH or via the pass-through agencies in accordance with the terms and conditions of the grant agreements and budgets.

## **PURPOSE AND OBJECTIVES**

The purpose of this review was to assess the Alliance's MDCH Grant Program financial reporting, and to determine the MDCH share of Grant Program costs. The following were the specific objectives of the review:

1. To assess the Alliance's accuracy in reporting allowable MDCH Grant Program financial activity to MDCH and the pass-through agencies in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.
2. To determine the MDCH share of costs for the MDCH Grant Programs in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Alliance.

The objectives of the review did not include an assessment of the Alliance's internal controls over compliance with the laws and regulations applicable to the grant awards.

## **SCOPE AND METHODOLOGY**

We examined the Alliance's records and activities for the three years October 1, 2002 through September 30, 2005. We performed our review procedures in July through September 2005. Our review procedures included the following:

- Reviewed the most recent financial audit report for the Alliance to note any concerns that may affect MDCH Grant Programs.
- Compared the MDCH Grant Program Financial Status Reports to the accounting records.
- Reviewed payroll, fringe benefit and personal services contract expenditures.
- Tested other expenditures for program compliance.
- Reviewed F/Y 02/03 Byrne Grant cost details provided by the Alliance to the Grand Rapids Police Department.
- Reviewed F/Y 03/04 Byrne Grant cost details provided by the Alliance to the Wayne County Prosecuting Attorney's Office.
- Reviewed other support documentation.

Our review did not include a review of program content or quality of services provided. Also, as stated above, our review did not include an assessment of the Alliance's internal controls over compliance with the laws and regulations applicable to the grant awards. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

## **CONCLUSIONS, FINDINGS, RECOMMENDATIONS, AGENCY RESPONSE AND MDCH COMMENTS**

### **FINANCIAL REPORTING**

**Objective 1:** To assess the Alliance's accuracy in reporting allowable MDCH Grant Program financial activity to MDCH and the pass-through agencies in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.

**Conclusion:** The Alliance was not accurate in reporting allowable MDCH Grant Program financial activity to MDCH or the pass-through agencies in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles. We noted the following exceptions: salary expenditures reported in excess of amounts paid (Finding 1), reported salary expenditures not supported by required personnel activity reports (Finding 2), undocumented and unsupported costs reported as expenditures (Finding 3), expenditures unrelated to the Byrne Grant inappropriately charged to the Byrne Grant (Finding 4), duplicate charges (Finding 5), and unallowable parking expenditures (Finding 6).

#### **Finding**

##### **1. Salary Expenditures Reported in Excess of Amounts Paid**

The Alliance reported salary expenditures in the Byrne Formula Grant and Governor's Discretionary Grant that exceeded amounts actually paid in violation of Office of Management and Budget (OMB) Circular A-122.

In summary, we noted the following:

- a. The Alliance reported salary expenditures of \$25,000 for FY 02/03 for the Byrne Formula Grant Program, but \$13,438 of this was not paid to the individual claimed.
- b. The Alliance reported salary (reported as "contractual" for the Byrne Grant) expenditures of \$64,334 for FY 03/04 for the Byrne Formula Grant Program and the Governor's Discretionary Grant, but \$14,238 of this was not paid to the individual claimed.
- c. The Alliance reported salary expenditures of \$23,205 for FY 04/05 for the Governor's Discretionary Grant, but \$8,474 of this was not paid to the individual claimed.

The Alliance is required by their contracts and grant provisions to comply with Office of Management and Budget (OMB) Circular A-122 for determining allowable costs of work performed under the Byrne Formula Grant and the Governor's Discretionary Grant. OMB Circular A-122, Attachment A, Section A. 2. states, in pertinent part:

*To be allowable under an award, costs must meet the following general criteria:*

- a. Be reasonable for the performance of the award and be allocable thereto under these principles...*
- e. Be determined in accordance with generally accepted accounting principles (GAAP)...*
- g. Be adequately documented.*

Additionally, OMB Circular A-122, Attachment B, Section 8.m.(1) requires that for compensation to be an allowable expenditure, it must be supported by the following:

*...documented payrolls approved by a responsible official(s) of the organization.*

Reported salary expenditures that do not exist do not meet the required criteria stated above. Therefore, the reported salary expenditures that were not paid are unallowable. Audit adjustments showing the unallowable salary expenditures are shown on the attached Statements of MDCH Grant Program Revenues and Expenditures.

### **Recommendation**

We recommend that the Alliance return grant funds that they received for reported expenditures that are unallowable to the following agencies as follows:

Grand Rapids Police Department for Byrne Formula Grant – FY 02/03 .....	\$13,438
Wayne County Prosecuting Attorney Office for Byrne Formula Grant – FY 03/04.....	4,657
MDCH for Governor's Discretionary Grant – FY 03/04.....	9,581
MDCH for Governor's Discretionary Grant – FY 04/05.....	8,474
	<u>\$36,150</u>

Funds returned to the Grand Rapids Police Department and to the Wayne County Prosecuting Attorney Office must be subsequently returned to MDCH, or, in the alternative, returned directly to MDCH from the Alliance.

### **Agency Response**

The Alliance believes that all of the above salary expenditures should be allowed for the following reasons:

- The work was performed.
- The President of the Alliance during the period that the grants in question covered provided a signed affidavit stating that one-third of his time was devoted to servicing the grants.
- The manager at the Alliance wrote the grant request(s), invoiced for the work, and was the primary performer of the work, normally working more than 50 hours a week supporting the disallowed salaries.
- The Alliance reimbursement requests were processed without mention of deficiencies (i.e., the Alliance was not flagged of any issues in a timely manner).



### **MDCH Comments**

Specific criteria must be met for salary expenditures to be allowable and reimbursable. Two basic requirements are that the position must be authorized in the agreement and budget, and the salary must be paid. Positions not authorized in the agreement and budget are not reimbursable, and salaries reported that are not paid are not reimbursable.

The agency's response suggests that a portion of the Alliance President's salary that was not previously reported be allowed since a signed affidavit states that one-third of the President's time was devoted to servicing the grants. The President's salary is not an allowable expenditure of the grants for the following reasons:

- a. The FY 02/03 Byrne Formula Grant Program funded one Program Director position that was filled by a person other than the President as defined in the grant application. The President's position and salary were not authorized in the grant agreement.
- b. The FY 03/04 Byrne Formula Grant Program funded Contractual Expenditures rather than Salary Expenditures. Contractual Expenditures of \$29,344 were reimbursed consisting of two Program Managers' salaries for \$28,800 and vendor payments of \$544. Other reported expenditures for the vendor (\$1,456) and the President (\$1,350) were not reimbursed as these reported costs exceeded the budget. Regardless, the reported expenditures for the President to attend meetings (27 hours @ \$50/hour = \$1,350) would not be allowable as this compensation was not supported by required personnel activity reports (See finding #2).
- c. The FY 03/04 Governor's Discretionary Grant funded one Program Director position that was filled by a person other than the President as defined in the grant application. The Program Director was "responsible for all activities of the program" according to the Alliance's Final Program Report. Furthermore, the President's position and salary were not authorized in the grant agreement.
- d. The FY 04/05 Governor's Discretionary Grant funded one Program Director position that was filled by a person other than the President as defined in the grant application. The President's position and salary were not authorized in the grant agreement. Furthermore, the Quarterly Expenditure Narrative states that funds "were utilized for program manager salary" with no mention of the President's salary.

The agency's response states that the manager worked 50+ hour weeks, which supports the disallowed \$36,150 in salaries. However, the salaries that were reported as a paid expenditure for the manager were not actually paid. To be allowable, salary expenditures must be paid, determined in accordance with GAAP, adequately documented, and supported by payrolls approved by an official of the agency. This finding disallows salaries that were specifically claimed to have been paid to the manager, but they were not. Therefore, they are unallowable.

The Alliance's reimbursement requests were processed without mention of deficiencies, because those responsible for payment did not have information available to show that there were deficiencies. The detailed review of payroll records and other documentation performed during this audit revealed that salary expenditures were reported in excess of amounts paid. Prior to the audit, the persons responsible for payment had no such knowledge of the deficiencies.

## **Finding**

### **2. Reported Salary Expenditures Not Supported by Required Personnel Activity Reports**

The Alliance reported salary expenditures in the Byrne Formula Grant and Governor's Discretionary Grant for staff that were not supported by personnel activity reports as required by OMB Circular A-122.

In summary, we noted the following:

- a. The Alliance paid two staff members \$5,262 (one \$4,500 and another \$762) for FY 02/03 with Byrne Formula Grant funds, but had no personnel activity reports reflecting an after-the-fact determination of the actual activity of each employee. Besides having no personnel activity reports to support the \$762 staff payment with Byrne Formula Grant funds, we obtained statements from staff indicating that the individual did not work on the Byrne Formula Grant.
- b. The Alliance paid one staff member \$6,300 from the University Camp Account and reported the expenditure as a FY 02/03 Byrne Formula Grant expenditure, but had no personnel activity reports reflecting an after-the-fact determination of the actual activity of the employee.
- c. The Alliance paid two staff members \$49,562 (one \$37,772 and another \$11,790) for FY 03/04 with Byrne Formula Grant funds and Governor's Discretionary Grant funds, but had no personnel activity reports reflecting an after-the-fact determination of the actual activity of each employee. Besides having no personnel activity reports to support the \$11,790 staff payment with Byrne Formula Grant funds, the individual stated that he did not work on the Byrne Formula Grant.
- d. The Alliance paid one staff member \$14,731 with Governor's Discretionary Grant funds, but had no personnel activity reports reflecting an after-the-fact determination of the actual activity of the employee.

OMB Circular A-122, Attachment B, Section 8.m. requires that for compensation to be an allowable expenditure, it must be supported by personnel activity reports as follows:

- (1) *Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, as prescribed in subparagraph (2), except when a substitute system has been approved in writing by the cognizant agency.*
- (2) *Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards...Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards:*
  - a. *The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.*

- b. Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.*
- c. The reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.*
- d. The reports must be prepared at least monthly and must coincide with one or more pay periods.*

Reported salary expenditures that are not supported by the required personnel activity reports are not allowable. Audit adjustments showing the unallowable salary expenditures are shown on the attached Statements of MDCH Grant Program Revenues and Expenditures.

### **Recommendation**

We recommend that the Alliance return grant funds that they received for reported expenditures that are unallowable to the following agencies as follows:

Grand Rapids Police Department for Byrne Formula Grant – FY 02/03 .....	\$11,562
Wayne County Prosecuting Attorney Office for Byrne Formula Grant -- FY 03/04 .....	24,143
MDCH for Governor’s Discretionary Grant – FY 03/04.....	25,419
MDCH for Governor’s Discretionary Grant – FY 04/05.....	<u>14,731</u>
	<u>\$75,855</u>

Funds returned to the Grand Rapids Police Department and to the Wayne County Prosecuting Attorney Office must be subsequently returned to MDCH, or, in the alternative, returned directly to MDCH from the Alliance.

### **Agency Response**

The Alliance believes that all of the above salary expenditures should be allowed for the following reasons:

- The work was performed.
- The President of the Alliance during the period that the grants in question covered provided a signed affidavit stating that one-third of his time was devoted to servicing the grants.
- The manager at the Alliance wrote the grant request(s), invoiced for the work, and was the primary performer of the work, normally working more than 50 hours a week supporting the disallowed salaries.
- The manager at the Alliance represented that she never knew of contemporaneous record keeping requirement (i.e., Circular A-122 that we now understand is required for all grants with federal money). The President of the Alliance (a previous MDCH Department Director) also stated that he was not aware of this requirement.
- The Alliance reimbursement requests were processed without mention of deficiencies (i.e., the Alliance was not flagged of any issues in a timely manner).

### **MDCH Comments**

OMB Circular A-122 contains fundamental principles that must be used by all Federal agencies in determining allowable costs of work performed by non-profit organizations under grants. Specific criteria must be met for compensation for personal services to be allowable and reimbursable. One requirement is that claimed compensation costs must be supported by personnel activity reports according to OMB Circular A-122.

The personnel activity reports must reflect an after-the-fact determination of the actual activity of each employee, account for the total activity for which employees are compensated, be signed by the individual employee or supervisory official having first hand knowledge of the activities performed by the employee, and be prepared at least monthly and coincide with one or more pay periods. Compensation not supported by personnel activity reports is not allowable.

The Alliance President's salary that was not previously reported is not an allowable expenditure for the reasons previously stated (finding #1 – MDCH Comments). Additionally, a signed affidavit stating that approximately one-third of the President's time was devoted to servicing the grants does not meet the required personnel activity report standards.

The agency's response states that the manager worked 50+ hour weeks and was the primary performer of the work. However, no signed personnel activity reports reflecting an after-the-fact determination of the actual activity of the manager that account for the total activity of the manager that coincide with one or more pay periods have been provided.

The Alliance's reimbursement requests were processed without mention of deficiencies, because those responsible for payment did not have information available to show that there were deficiencies. The detailed payroll review during this audit revealed that required personnel activity reports were not prepared and maintained. Prior to the audit, the persons responsible for payment had no such knowledge of the deficiencies.

### **Finding**

#### **3. Undocumented and Unsupported Costs Reported as Expenditures**

The Alliance reported expenditures in the Byrne Formula Grant and Governor's Discretionary Grant that it did not incur, did not pay, and did not record in the Alliance's general ledger in violation of OMB Circular A-122.

In summary, we noted the following:

- a. The Alliance reported \$15,757 in "Other Expenditures" for the FY 02/03 Byrne Formula Grant, but the list of itemized expenditures provided by the Alliance to the GRPD could not be traced to the Alliance's general ledger, and there was no evidence of payment with Alliance funds.
- b. The Alliance reported \$15,000 in "Supplies, Postage, Printing, T-shirts Expenditures" and \$5,000 in "Contractual Expenditures" for the FY 03/04 Governor's Discretionary Grant, but the expenditures could not be traced to the Alliance's general ledger, and there was no evidence of payment with Alliance funds.

- c. The Alliance reported \$1,214 in “Supplies, Postage, Printing, Promo. Expenditures” for the FY 04/05 Governor’s Discretionary Grant, but the expenditures could not be traced to the Alliance’s general ledger, and there was no evidence of payment with Alliance funds.

OMB Circular A-122, Attachment A, Section A. 2. states, in pertinent part:

*To be allowable under an award, costs must meet the following general criteria:*

- a. *Be reasonable for the performance of the award and be allocable thereto under these principles...*
- e. *Be determined in accordance with generally accepted accounting principles (GAAP)...*
- g. *Be adequately documented.*

Reported expenditures that have no documented evidence of existence do not meet the required criteria stated above, and are, therefore, unallowable. Audit adjustments showing the unallowable expenditures are shown on the attached Statements of MDCH Grant Program Revenues and Expenditures.

### **Recommendation**

We recommend that the Alliance return grant funds that they received for reported expenditures that are unallowable to the following agencies as follows:

Grand Rapids Police Department for Byrne Formula Grant – FY 02/03 *	\$15,633
MDCH for Governor’s Discretionary Grant – FY 03/04.....	20,000
MDCH for Governor’s Discretionary Grant – FY 04/05.....	<u>1,214</u>
	<u>\$36,847</u>

\* \$15,757 itemized as expenditures; however, only \$15,633 was paid do to budget limitations.

Funds returned to the Grand Rapids Police Department must be subsequently returned to MDCH, or, in the alternative, returned directly to MDCH from the Alliance.

### **Agency Response**

The Alliance believes the majority of these expenditures should be allowed because they represent in-kind contributions made after-the-fact from vendors. The Alliance stated that materials were furnished to them for use in the grants and they were invoiced for same. The materials were included in the request for reimbursement to the State, but it appears the Alliance never paid the respective vendors. Due to the financial straits of the Alliance at the time (and the close relationship the vendors had with major Alliance supporters like General Motors, DTE Energy, etc.) the vendors eventually forgave these debts as generous in-kind contributions to the Alliance. The vendors did not forgive these debts to lower the cost of the grants.

### **MDCH Comments**

The Agency’s response addresses the reported expenditures that had invoices that were forgiven. However, the Agency’s response does not address the reported expenditures for which there were no invoices, no evidence of payment, and no evidence of services or supplies received. The Alliance reported \$15,000 as “Supplies, Postage, Printing, T-shirts Expenditures” and \$5,000 as “Contractual Expenditures” for the FY 03/04 Governor’s Discretionary Grant, and \$1,214 as

“Supplies, Postage, Printing, Promo. Expenditures” for the FY 04/05 Governor’s Discretionary Grant, but there were no invoices, no evidence of payment, and no evidence of services or supplies received. As previously stated, reported expenditures that have no documented evidence of existence do not meet the required criteria stated above, and are, therefore, unallowable.

The Agency’s response specifically addresses the \$15,757 reported as “Other Expenditures” for the FY 02/03 Byrne Formula Grant where the list of itemized expenditures provided by the Alliance to the GRPD could not be traced to the Alliance’s general ledger, and there was no evidence of payment with Alliance funds. Our audit found specific invoices for these items that the Alliance reported as “Other Expenditures.” While represented as “Other Expenditures” by the Alliance, the invoices were not paid by the Alliance. Three separate invoices totaling nearly \$1,000 were to an organization other than the Alliance (GM Marketing Support Services is shown as the “Bill To” and “Ship To” on the invoices). Two other invoices totaling \$14,000 were from an organization (Quantum Marketing) whereby the President of the company has stated that he performed all of his work pro bono, and it was never a question that his work was pro bono.

For some Federal grants, in-kind contributions are allowable to meet cost sharing or matching requirements. When this is the case, however, the value of donated goods and/or services is not reimbursable either as a direct or indirect cost. Regardless, matching is not applicable to Alliance’s Byrne Formula Grant or any Governor’s Discretionary Grants. Furthermore, had matching been applicable to the Byrne Formula Grant, the matching must be in cash and in-kind matching is specifically prohibited under the grant terms. For these reasons, the claimed expenditures that were subsequently called “in-kind contributions” by the Alliance are not reimbursable as a cost of the Alliance.

## **Finding**

### **4. Expenditures Unrelated to Byrne Grant Inappropriately Charged to Byrne Grant**

The Alliance reported non-program expenditures in the Byrne Formula Grant in violation of OMB Circular A-122.

In summary, we noted the following:

- a. The Alliance reported \$965 in “Other Expenditures” for the FY 02/03 Byrne Formula Grant for business cards for individuals that did not work on the Byrne Formula Grant.
- b. The Alliance reported \$544 in “Contractual Expenditures” for the FY 03/04 Byrne Formula Grant for services unrelated to the Byrne Formula Grant.

OMB Circular A-122, Attachment A, Section A. 2. states, in pertinent part:

*To be allowable under an award, costs must meet the following general criteria:*

- a. *Be reasonable for the performance of the award and be allocable thereto under these principles...*

OMB Circular A-122, Attachment A, Section A. 4. Allocable costs, states, in pertinent part:

- a. A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:*
- (1) Is incurred specifically for the award.*
  - (2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received...*

Reported expenditures that are not incurred specifically for the award or are not distributed in reasonable proportion to the benefits received do not meet the required criteria stated above, and are, therefore, unallowable. Audit adjustments showing the unallowable expenditures are shown on the attached Statements of MDCH Grant Program Revenues and Expenditures.

### **Recommendation**

We recommend that the Alliance return grant funds that they received for reported expenditures that are unallowable to the following agencies as follows:

Grand Rapids Police Department for Byrne Formula Grant – FY 02/03 .....	\$965
Wayne County Prosecuting Attorney Office for Byrne Formula Grant -- FY 03/04 .....	544
	<u>\$1,509</u>

Funds returned to the Grand Rapids Police Department and to the Wayne County Prosecuting Attorney Office must be subsequently returned to MDCH, or, in the alternative, returned directly to MDCH from the Alliance.

### **Agency Response**

The Alliance believes that all except perhaps \$544 of the above amount should be allowed for the following reasons:

- The work was performed.
- The President of the Alliance during the period that the grants in question covered provided a signed affidavit stating that one-third of his time was devoted to servicing the grants.
- The Alliance reimbursement requests were processed without mention of deficiencies (i.e., the Alliance was not flagged of any issues in a timely manner).

### **MDCH Comments**

Specific criteria must be met for expenditures to be allowable and reimbursable. One requirement is that a claimed expenditure must benefit the grant. The \$965 expenditure the Alliance claims should be allowed was for business cards for two individuals whose salaries were deemed unallowable in findings #1 and #2. Since the salaries were deemed unallowable, business cards for these individuals are not a benefit to the grant and are therefore unallowable.

The Alliance's reimbursement requests were processed without mention of deficiencies, because those responsible for payment did not have information available to show that there were deficiencies. The detailed review during this audit revealed that the reported expenditures were unallowable. Prior to the audit, the persons responsible for payment had no such knowledge of the deficiencies.

## **Finding**

### **5. Same Expenditures Charged to Byrne Grant in Both FY 02/03 and FY 03/04**

The Alliance reported the same expenditures to the Byrne Grant in both FY 02/03 and FY 03/04 in violation of OMB Circular A-122.

Three invoices from the Office Depot dated 9/16/03 totaling \$1,512 were listed as expenditures for the FY 02/03 Byrne Grant. This same total was listed as a November expenditure for the FY 03/04 Byrne Grant. The Alliance provided no supporting documentation to prove that the \$1,512 was a paid expenditure in both FY 02/03 and FY 03/04.

OMB Circular A-122, Attachment A, Section A. 2. states, in pertinent part:

*To be allowable under an award, costs must meet the following general criteria:*

*e. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.*

The \$1,512 expenditure will be allowed in FY 03/04 only. The unallowable duplicate charge is shown as an audit adjustment on the attached FY 02/03 Statement of MDCH Grant Program Revenues and Expenditures.

## **Recommendation**

We recommend that the Alliance return the \$1,512 in Byrne Formula Grant funds that they received for reported expenditures that are unallowable to the Grand Rapids Police Department. Funds returned to the Grand Rapids Police Department must be subsequently returned to MDCH, or, in the alternative, returned directly to MDCH from the Alliance.

## **Agency Response**

The Alliance response did not address this duplicate charge.

## **MDCH Comments**

No additional comments.

## **Finding**

### **6. Unallowable Parking Expenditures**

The Alliance reported unallowable parking expenditures in the Byrne Formula Grant and Governor's Discretionary Grant for a staff member whose time was not supported by personnel activity reports as required by OMB Circular A-122 (Finding #2).



In summary, we noted the following:

- a. The Alliance reported \$2,100 in "Travel – Parking Expenditures" for the FY 03/04 Byrne Formula Grant for parking expenses for a staff member whose time was not supported by personnel activity reports.
- b. The Alliance reported \$1,042 in "Travel Expenditures" for the FY 04/05 Governor's Discretionary Grant for parking expenses for a staff member whose time was not supported by personnel activity reports.

OMB Circular A-122, Attachment A, Section A. 2. states, in pertinent part:

*To be allowable under an award, costs must meet the following general criteria:*

- a. *Be reasonable for the performance of the award and be allocable thereto under these principles...*

OMB Circular A-122, Attachment A, Section A. 4. Allocable costs, states, in pertinent part:

- a. *A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:*
  - (1) *Is incurred specifically for the award.*
  - (2) *Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received...*

Reported parking expenditures with no evidence that they are incurred specifically for the award or that they are distributed in reasonable proportion to the benefits received do not meet the required criteria stated above, and are, therefore, unallowable. Audit adjustments showing the unallowable expenditures are shown on the attached Statements of MDCH Grant Program Revenues and Expenditures.

### **Recommendation**

We recommend that the Alliance return grant funds that they received for reported expenditures that are unallowable to the following agencies as follows:

Wayne County Prosecuting Attorney Office for Byrne Formula Grant -- FY 03/04 .....	\$2,100
MDCH for Governor's Discretionary Grant – FY 04/05.....	<u>1,042</u>
	<u>\$3,142</u>

Funds returned to the Wayne County Prosecuting Attorney Office must be subsequently returned to MDCH, or, in the alternative, returned directly to MDCH from the Alliance.

### **Agency Response**

The Alliance response did not specifically address this finding.

### **MDCH Comments**

No additional comments.

## MDCH SHARE OF COSTS AND BALANCE DUE

**Objective 2:** To determine the MDCH share of costs for the MDCH Grant Programs in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Alliance.

**Conclusion:** The MDCH obligation under the MDCH Grant Programs is as follows:

Byrne - F/Y 02/03 - \$6,890

Byrne - F/Y 03/04 - \$1,594

Governor's Discretionary Grant – F/Y 03/04 - \$15,000

Governor's Discretionary Grant – F/Y 04/05 - \$0

The attached Statements of MDCH Grant Program Revenues and Expenditures show the budgeted, reported, and allowable costs; and audit adjustments affecting MDCH grant program funding. Since MDCH provided \$178,499 to the Alliance over the three-year period ending September 30, 2005, but the MDCH total obligation was reduced to \$23,484 due to audit adjustments, the Alliance owes MDCH \$155,015 either directly or via the pass through agencies. The following summarizes the funds due:

Grand Rapids Police Department for Byrne Formula Grant – FY 02/03 .....	\$43,110
Wayne County Prosecuting Attorney Office for Byrne Formula Grant -- FY 03/04 .....	31,444
MDCH for Governor's Discretionary Grant – FY 03/04.....	55,000
MDCH for Governor's Discretionary Grant – FY 04/05.....	<u>25,461</u>
	<u>\$155,015</u>

**The Alliance for a Safer, Greater Detroit**  
**Byrne / Crimestoppers**  
**Via the City of Grand Rapids - Police Department**  
**Statement of MDCH Grant Program Revenues and Expenditures**  
**10/1/02 - 9/30/03**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDCH Grant - Byrne	\$50,000	\$50,000 <b>1</b>	(\$43,110)	\$6,890
<b>TOTAL REVENUES</b>	\$50,000	\$50,000	(\$43,110)	\$6,890
<b>EXPENDITURES:</b>				
Salary/Contractual	\$25,000	\$25,000	(\$25,000) <b>2</b>	\$0
Fringe Benefits	\$0	\$0	\$0	\$0
Other	\$25,000	\$25,124	(\$18,234) <b>3</b>	\$6,890
<b>TOTAL EXPENDITURES</b>	\$50,000	\$50,124	(\$43,234)	\$6,890

**1** Actual MDCH payments passed through Grand Rapids Police Dept. to the Alliance.

**2** See Finding 1 for (\$13,438).  
See Finding 2 for (\$4,500),  
(\$762), and (\$6,300).

**3** See Finding 3 for (\$15,757) however, only \$15,633 was paid due to budget limitations.  
See Finding 4 for (\$965).  
See Finding 5 for (\$1,512).

**The Alliance for a Safer, Greater Detroit  
Byrne / Crimestoppers  
Via the County of Wayne - Prosecuting Attorney's Office  
Statement of MDCH Grant Program Revenues and Expenditures  
10/1/03 - 9/30/04**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDCH Grant - Byrne	\$33,038	\$33,038 <b>1</b>	(\$31,444)	\$1,594
<b>TOTAL REVENUES</b>	\$33,038	\$33,038	(\$31,444)	\$1,594
<b>EXPENDITURES:</b>				
Salary	\$0	\$0	\$0	\$0
Fringe Benefits	\$0	\$0	\$0	\$0
Contractual	\$27,900	\$29,344	(\$29,344) <b>2</b>	\$0
Supplies	\$1,388	\$1,594	\$0	\$1,594
Travel - Parking	\$3,750	\$2,100	(\$2,100) <b>3</b>	\$0
Other	\$0	\$0	\$0	\$0
<b>TOTAL EXPENDITURES</b>	\$33,038	\$33,038	(\$31,444)	\$1,594

*Actual MDCH payments passed through the Wayne County Prosecutor's Office to*  
**1** *the Alliance.*

**2** *See Finding 1 for (\$4,657).  
See Finding 2 for (\$12,353) and (\$11,790).  
See Finding 4 for (\$544).*

**3** *See Finding 6 for (\$2,100).*

**The Alliance for a Safer, Greater Detroit**  
**Governor's Discretionary Grant / Detroit Safe Streets Network**  
**Statement of MDCH Grant Program Revenues and Expenditures**  
**10/1/03 - 9/30/04**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDCH Grant - GDG	\$70,000	\$70,000 <b>1</b>	(\$55,000)	\$15,000
<b>TOTAL REVENUES</b>	\$70,000	\$70,000	(\$55,000)	\$15,000
<b>EXPENDITURES:</b>				
Salary - Program Director	\$35,000	\$35,000	(\$35,000) <b>2</b>	\$0
Fringe Benefits	\$0	\$0	\$0	\$0
Contractual - Evaluator, Consultant	\$20,000	\$20,000	(\$5,000) <b>3</b>	\$15,000
Supplies, Postage, Printing, T-shirts	\$15,000	\$15,000	(\$15,000) <b>3</b>	\$0
Travel	\$0	\$0	\$0	\$0
Other Expense	\$0	\$0	\$0	\$0
<b>TOTAL EXPENDITURES</b>	\$70,000	\$70,000	(\$55,000)	\$15,000

**1** Actual MDCH payments to the Alliance.

**2** See Finding 1 for (\$9,581).  
See Finding 2 for (\$25,419).

**3** See Finding 3 for (\$5,000) and (\$15,000).

**The Alliance for a Safer, Greater Detroit**  
**Governor's Discretionary Grant / Detroit Safe Streets Network**  
**Statement of MDCH Grant Program Revenues and Expenditures**  
**10/1/04 - 9/30/05**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDCH Grant - GDG	\$70,000	\$25,461 <b>1</b>	(\$25,461)	\$0
<b>TOTAL REVENUES</b>	\$70,000	\$25,461	(\$25,461)	\$0
<b>EXPENDITURES:</b>				
Salary - Program Dir. & Coord.	\$50,000	\$23,205	(\$23,205) <b>2</b>	\$0
Fringe Benefits	\$0	\$0	\$0	\$0
Contractual - Consultant	\$11,000	\$0	\$0	\$0
Supplies, Postage, Printing	\$7,000	\$1,214	(\$1,214) <b>3</b>	\$0
Travel	\$2,000	\$1,042	(\$1,042) <b>4</b>	\$0
Other Expense	\$0	\$0	\$0	\$0
<b>TOTAL EXPENDITURES</b>	\$70,000	\$25,461	(\$25,461)	\$0

**1** Actual MDCH payments to the Alliance for expenses reported through 2/28/05.

**2** See Finding 1 for (\$8,474).  
See Finding 2 for (\$14,731).

**3** See Finding 3 for (1,214).

**4** See Finding 6 for (1,042).